



General Circuit Breaker

Assumptions (as per decision point mapping document)

Phase In: No

Class 3 Tax Rate: 2.23%

Class 4 Residential Tax Rate: 3.01%

Class 4 Commercial Tax Rate: 3.01%

Class 10 Tax Rate: 0.28%

Homestead Exemption: 0%

Comstead Exemption: 39.72%

Keep the consolidated average statewide mills at their current level of 538 by adding a state mill of the difference. All state and local mills will float down, so the circuit breaker mill will be approximately equal to 220 mills. The additional revenue raised by the new state mills will be used to fund a circuit breaker aimed mitigating property taxes paid on primary residences and by renters. The circuit breaker is to be as broad as possible.

The tax rates are decoupled.

There is not a staggered homestead exemption.

Secondary and associated residences are treated the same as primary residences in terms of the homestead. Only property taxes paid on primary residences are eligible for the credit.

The reappraisal cycle is immaterial for this analysis.

Standards used in Analysis by Dept. of Revenue - Tax Policy and Research

All mills float. The individual home examples and individual business examples use the average consolidated mills. This includes the 6 university mills, the 95 school mills, all mills levied by local jurisdictions and schools. This would add additional statewide mills to raise revenue for the circuit breaker.

The analysis uses the OBPP growth rates for each class of property to estimate the growth in newly taxable property.

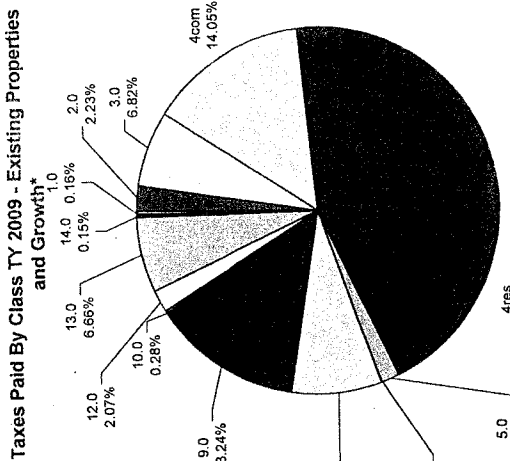
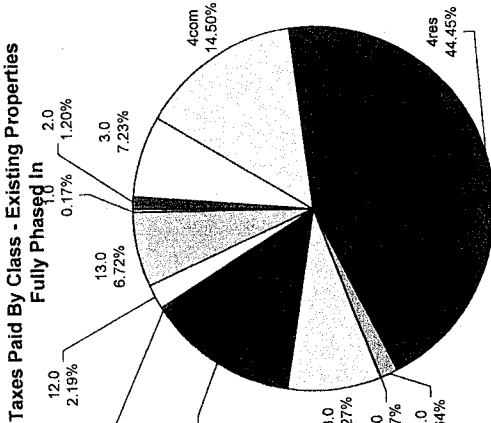
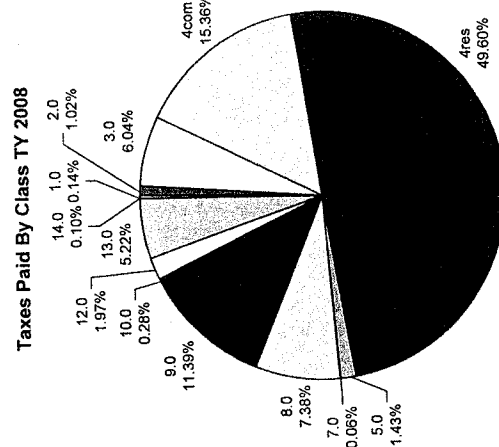
The cost of this mitigation strategy is assumed to be the difference between what class 4 residential property paid in FY 2008 and what they will pay in this mitigation strategy.

The reappraisal impact on class 4 property is calculated with the percentages that comply with the International Association of Assessing Officers standards. All class 4 properties are included in the base, but the percentage change of the outliers is not incorporated into the analysis.

NW											
Class 3 Agricultural Tax Rate	3.01%	Class 4 Residential Tax Rate	3.01%	Class 4 Commercial Tax Rate	3.01%	Class 10 Forestland Tax Rate	0.35%	Class 4 Homestead	34.00%	Class 4 Comstead	15.00%
Proposed Mitigation											
Class 3 Agricultural Tax Rate	2.28%	Class 4 Residential Tax Rate	3.01%	Class 4 Commercial Tax Rate	3.01%	Class 10 Forestland Tax Rate	0.23%	Class 4 Homestead	0.00%	Class 4 Comstead	37.62%

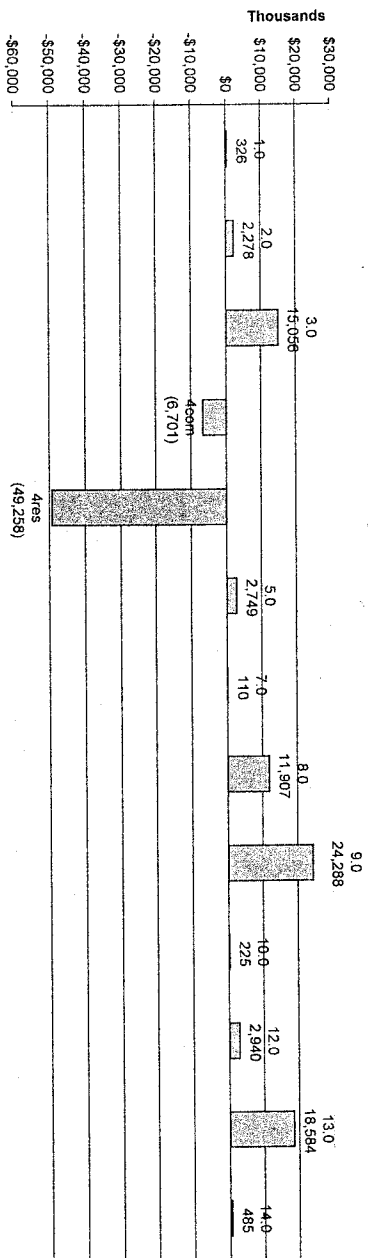
Tax Class	TY 2008			Fully Phased In - Existing Properties						TY 2009 Existing Properties and Growth*					
	Taxable Value	Taxes Paid	Description	Taxable Value	Net Taxes Paid	% Change in Taxes Paid	\$ Change in Taxes Paid	Taxable Value	Net Taxes Paid	% Change in Taxes Paid	\$ Change in Taxes Paid	Taxable Value	Net Taxes Paid	% Change in Taxes Paid	\$ Change in Taxes Paid
1.0	24,540,432	11,627,140	Mine Net Proceeds	4,013,187	1,977,310	19.73%	325,839	4,013,187	1,988,860	20.43%	337,389	48,379,093	2,758,886	17.26%	15,959,746
2.0	142,098,668	68,908,193	Gross Proceeds	24,540,432	13,905,083	19.59%	2,277,944	48,379,093	24,506,059	22.64%	15,597,867	144,186,193	84,506,059	22.64%	15,597,867
3.0	289,796,019	175,206,000	Agricultural Land	144,186,193	83,963,998	21.85%	2,277,944	147,182,935	84,506,059	22.64%	15,597,867	174,021,375	84,506,059	22.64%	15,597,867
4com	1,008,798,601	565,830,038	Commercial Property	289,991,793	168,504,793	-8.22%	(16,071,207)	289,991,793	168,504,793	-8.22%	(16,071,207)	2,413,957,514	551,022,647	-0.68%	(1,184,425)
4res	35,194,576	16,275,932	Residential Property	2,359,991,774	516,571,626	-8.71%	(49,258,412)	2,359,991,774	516,571,626	-8.71%	(49,258,412)	35,899,806	20,111	-2.82%	(14,807,391)
7.0	1,214,360	734,443	Pollution Control Equipment	35,154,576	19,025,008	18.89%	2,749,077	35,899,806	20,111	20.11%	3,273,533	171,248,482	870,897	18.59%	136,494
7.0	163,140,404	84,149,499	Non-Centrally Assessed Utilities	843,993	14,929	14.92%	109,550	843,993	14,929	14.92%	109,550	171,248,482	870,897	18.59%	136,494
8.0	263,086,175	129,940,878	Business Personal Property	163,140,404	96,056,800	14.15%	1,907,301	171,248,482	101,485,515	20.60%	17,336,016	277,976,953	164,014,244	26.22%	34,073,365
9.0	6,815,620	3,241,315	Non-Electrical Generating Property of Electrical Utilities	263,086,175	154,229,170	18.69%	24,288,292	277,976,953	164,014,244	26.22%	34,073,365	6,899,675	3,487,027	7.58%	245,712
10.0	43,567,384	22,475,586	Forestland	6,899,675	3,466,510	6.95%	225,194	6,899,675	3,466,510	6.95%	225,194	43,615,302	25,607,988	13.94%	3,132,402
12.0	154,611,156	59,531,164	Railroad and Airline Property	43,567,384	25,415,621	13.08%	2,940,085	43,615,302	25,607,988	13.94%	3,132,402	162,403,558	82,540,086	38.65%	23,008,922
13.0	2,943,785	1,175,095	Telecommunications & Electric Property	154,611,156	78,115,618	31.22%	18,584,454	162,403,558	82,540,086	38.65%	23,008,922	3,179,877	1,804,167	53.53%	629,071
13.0	2,943,785	1,175,095	Commercial Wind Generation Facilities	2,943,785	1,659,685	41.24%	484,590	3,179,877	1,804,167	53.53%	629,071	3,610,169,788	1,238,485,415	8.57%	97,738,661
Total	2,137,780,357	1,140,746,754		3,493,340,894	1,163,735,216	2.02%	27,985,462	3,610,169,788	1,238,485,415	8.57%	97,738,661				

*Growth includes both new property and the inflation growth allowed by 15-10-420, MCA

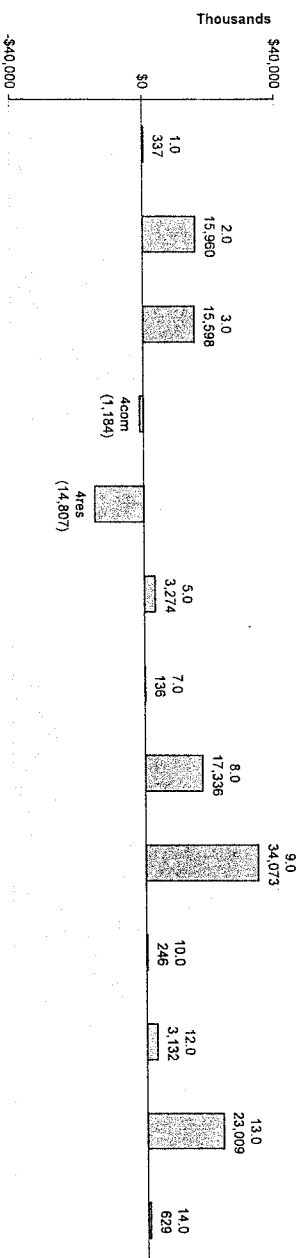


Current Law		Proposed Mitigation	
Class 3 Agricultural Tax Rate 3.01%	Class 4 Residential Tax Rate 3.01%	Class 4 Commercial Tax Rate 3.01%	Class 10 Forestland Tax Rate 0.35%
Class 3 Agricultural Tax Rate 2.28%	Class 4 Residential Tax Rate 3.01%	Class 4 Commercial Tax Rate 3.01%	Class 10 Forestland Tax Rate 0.23%
			Class 4 Homestead 34.00%
			Class 4 Comstead 15.00%
			Class 4 Comstead 37.62%

Difference in Property Taxes Paid by Property Tax Class Tax Year 2008 - Existing Properties Fully Phased In - \$ in Thousands



Difference in Property Taxes Paid by Property Class Tax Year 2008 - 2009 Existing Properties and Growth - \$ in Thousands



Balance Sheet of Tax Changes Caused by This Mitigation Proposal (Tax Year 2008 - Existing Properties Fully Phased In)

Transfer to Class 4 Residential	\$675,679,717
Amount in Circuit Breaker	\$675,679,717
Transfer to Class 4 Commercial	-\$6,701,207
Transfer from All Other Classes	-\$78,948,081
Total	\$72,246,874

This balance sheet is calculated using the difference between the taxes paid in FY 2008 and the calculated amounts that existing properties will pay when fully phased in. Circuit breakers are included in the calculation, reducing the transfer to Class 4 r

Circuit Breaker
General Circuit Breaker

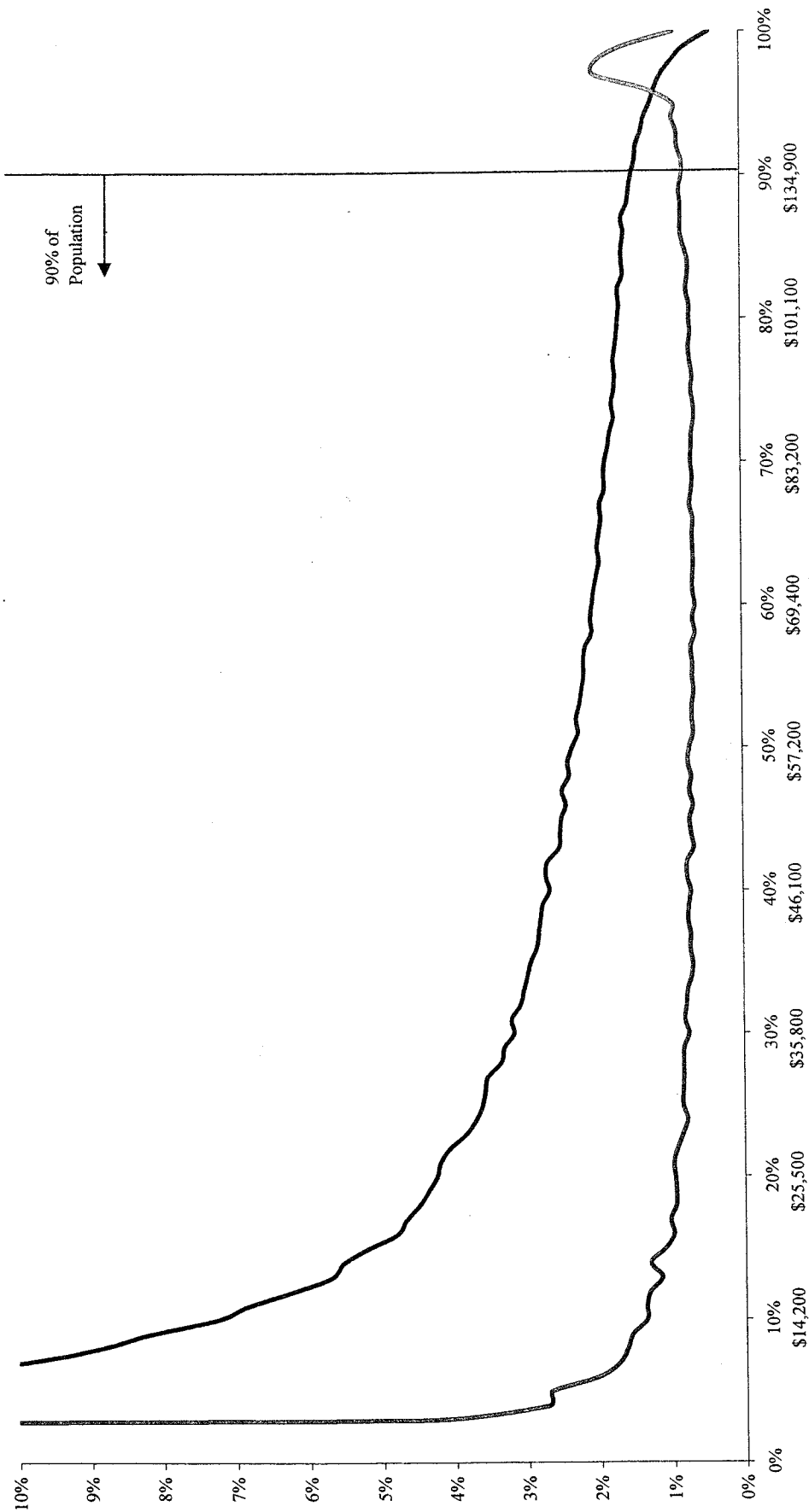
Broad Circuit Breaker, All Class 4 Mitigation Through Circuit Breaker

Credit for Property Tax More Than This Percent of Income	0.5%
Maximum Credit	\$5,000
Credit Begins to Phase-Out at This Income	\$200,000
Credit is Completely Phased-Out at This Income	\$250,000

	Number	Amount
Credits to Homeowners	229,995	\$598,126,116
Credits to Renters	<u>78,677</u>	<u>\$77,553,600</u>
Total	308,672	\$675,679,717

Additional Mills to Fund Circuit Breaker	199.62
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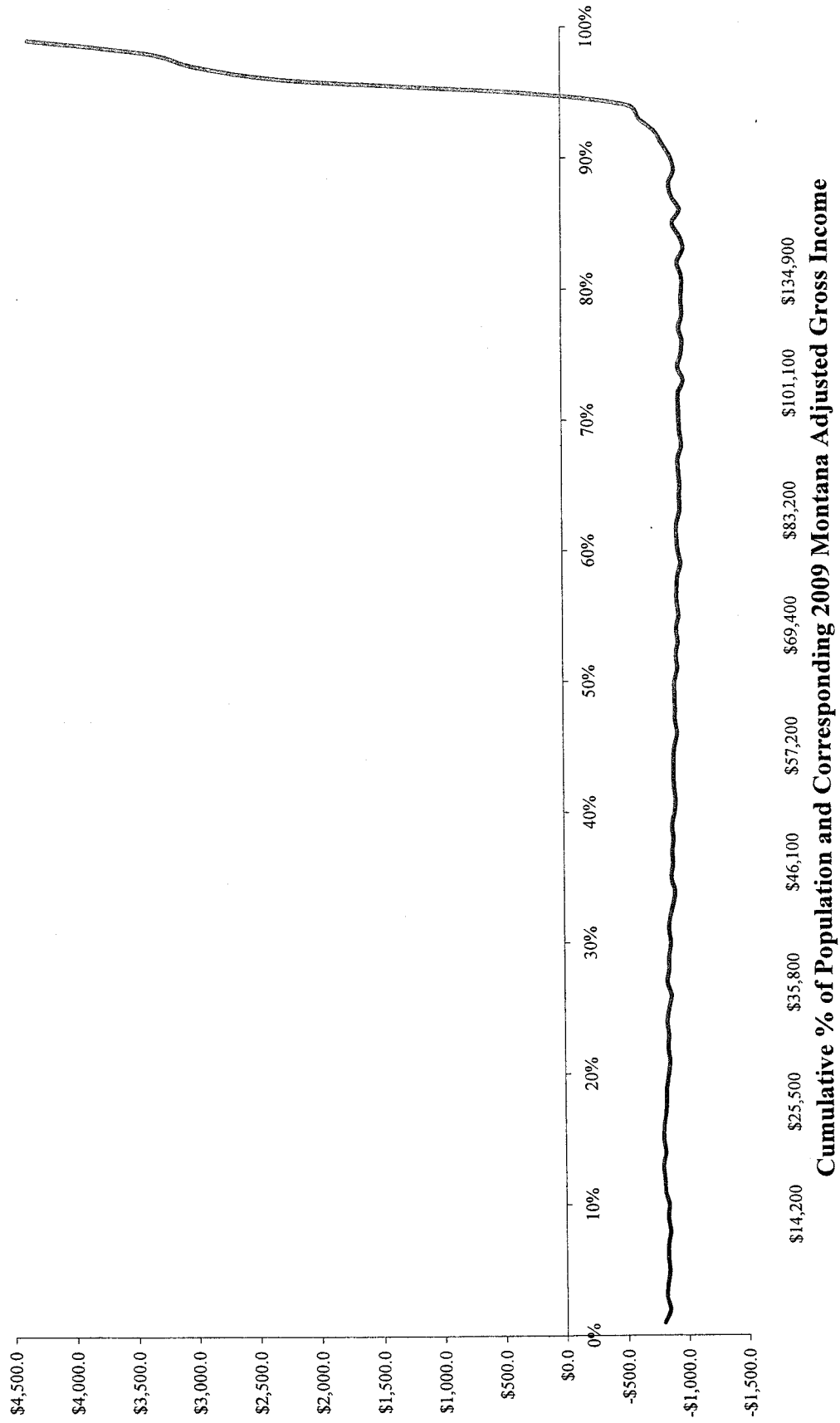
**Average Property Taxes as a Percent of Income
Households Who Claimed the \$400 Property Tax Rebate**



Cumulative % of Population and Corresponding 2009 Montana Adjusted Gross Income

— 2008 — 2009, General Circuit Breaker

**Average 2009 Property Taxes, Difference from 2008
Households Who Claimed the \$400 Property Tax Rebate**



— General Circuit Breaker

General Circuit Breaker

Current Law					
Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Homestead	Comstead
3.01%	3.01%	3.01%	0.35%	34.00%	15.00%
Proposed Mitigation					
Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Homestead	Comstead
2.28%	3.01%	3.01%	0.23%	0.00%	37.62%

Assumptions: Homestead Exemption = No Homestead Exemption
37.62% Comstead Exemption

Calculation of Tax Liability

1. Market Value = 2008 Market Value + Phase In Amount
2. Market Value x (1 - Homestead) = Taxable Market Value
3. Taxable Market Value x Tax Rate = Taxable Value
4. Taxable Value x Mills / 1000 = Tax Liability

Example of the TY 2009 Median Value Home

MV Before Reappraisal	\$98,400	
MV After Reappraisal	\$152,000	
Tax Year	2008	2009
Market Value	\$98,400	\$152,000
Homestead	34.00%	0.00%
Amount Exempt	\$33,456	\$0
Taxable Market Value	\$64,944	\$152,000
Tax Rate	3.01%	3.01%
Taxable Value	\$1,955	\$4,575
Average Mills	538.19	530.21
Tax Liability	\$1,052	\$2,426
2009 Income (MAGI)		\$65,140
Percent of Income Paid		3.72%
Credit Amount		\$2,100

Example of a TY 2009 Average Value Home

MV Before Reappraisal	\$116,900	
MV After Reappraisal	\$178,920	
Tax Year	2008	2009
Market Value	\$116,900	\$178,920
Homestead	34.00%	0.00%
Amount Exempt	\$39,746	\$0
Taxable Market Value	\$77,154	\$178,920
Tax Rate	3.01%	3.01%
Taxable Value	\$2,322	\$5,385
Average Mills	538.19	530.21
Tax Liability	\$1,250	\$2,855
2009 Income (MAGI)		\$74,759
Percent of Income Paid		3.82%
Credit Amount		\$2,482

Example of a TY 2009 Median Value Resort Home

MV Before Reappraisal	\$150,450	
MV After Reappraisal	\$326,600	
Tax Year	2008	2009
Market Value	\$150,450	\$326,600
Homestead	34.00%	0.00%
Amount Exempt	\$51,153	\$0
Taxable Market Value	\$99,297	\$326,600
Tax Rate	3.01%	3.01%
Taxable Value	\$2,989	\$9,831
Average Mills	538.19	530.21
Tax Liability	\$1,609	\$5,212
2009 Income (MAGI)		\$59,297
Percent of Income Paid		8.79%
Credit Amount		\$4,916

Example of a TY 2009 \$500,000 Home

MV Before Reappraisal	\$300,000	
MV After Reappraisal	\$500,000	
Tax Year	2008	2009
Market Value	\$300,000	\$500,000
Homestead	34.00%	0.00%
Amount Exempt	\$102,000	\$0
Taxable Market Value	\$198,000	\$500,000
Tax Rate	3.01%	3.01%
Taxable Value	\$5,960	\$15,050
Average Mills	538.19	530.21
Tax Liability	\$3,207	\$7,980
2009 Income (MAGI)		\$200,547
Percent of Income Paid		3.98%
Credit Amount		\$5,000

Example of a TY 2009 \$1,000,000 Home

MV Before Reappraisal	\$650,000	
MV After Reappraisal	\$1,000,000	
Tax Year	2008	2009
Market Value	\$650,000	\$1,000,000
Homestead	34.00%	0.00%
Amount Exempt	\$221,000	\$0
Taxable Market Value	\$429,000	\$1,000,000
Tax Rate	3.01%	3.01%
Taxable Value	\$12,913	\$30,100
Average Mills	538.19	530.21
Tax Liability	\$6,950	\$15,959
2009 Income (MAGI)		\$477,527
Percent of Income Paid		3.34%
Credit Amount		\$0

**Example of a TY 2009 Business with \$200,000 in Class 4
and \$100,000 in Class 8**

MV Before Reappraisal	\$150,000	
MV After Reappraisal	\$200,000	
MV of Class 8	\$100,000	
Tax Year	2008	2009
<u>Class 4</u>		
Market Value	\$150,000	\$200,000
Homestead	15.00%	37.62%
Amount Exempt	\$22,500	\$75,240
Taxable Market Value	\$127,500	\$124,760
Tax Rate	3.01%	3.01%
Taxable Value	\$3,838	\$3,755
Average Mills	538.19	530.21
Tax Liability	\$2,065	\$1,991
<u>Class 8</u>		
Market Value	\$100,000	\$100,000
Taxable Value	\$3,000	\$3,000
Mills	538.19	530.21
Tax Liability	\$1,615	\$1,591
Total Tax Liability	\$3,680	\$3,582

**Example of a TY 2009 Business with \$400,000 in Class 4
and \$100,000 in Class 8**

MV Before Reappraisal	\$300,000	
MV After Reappraisal	\$400,000	
MV of Class 8	\$100,000	
Tax Year	2008	2009
<u>Class 4</u>		
Market Value	\$300,000	\$400,000
Homestead	15.00%	37.62%
Amount Exempt	\$45,000	\$150,480
Taxable Market Value	\$255,000	\$249,520
Tax Rate	3.01%	3.01%
Taxable Value	\$7,676	\$7,511
Average Mills	538.19	530.21
Tax Liability	\$4,131	\$3,982
<u>Class 8</u>		
Market Value	\$100,000	\$100,000
Taxable Value	\$3,000	\$3,000
Mills	538.19	530.21
Tax Liability	\$1,615	\$1,591
Total Tax Liability	\$5,745	\$5,573